

---

## COORDINATION OF WORKFORCE TRAINING PROGRAMS

**FINDING:** The committee discussed potentially overlapping functions and missions of the \$50 million Department of Labor Incumbent Worker Training Program with the \$6.5 million Department of Economic Development Workforce Development Training Program. Because each program has different funding sources and targets a different population, duplication has been minimized. However, the potential for additional efficiencies through merger of program administration or functions, should be investigated, especially given the disparity in resources between the two programs.

**OPTION 1:** In light of a possible Department of Economic Development reorganization and the continuing state budgetary problems, the state should explore possible cost savings that could be generated from consolidating the administrative and/or programmatic functions of the Workforce Development programs of the Department of Labor and the Department of Economic Development. The state should also investigate a more equitable realignment of resources for those efforts.

### Background And Description:

#### Department of Labor – Incumbent Worker Training Program

History: Created by Act 1053 in the 1997 Regular Session and Amended by Act 197 of the 1999 Regular Session.

Funding: A total of \$50 million may be deposited in the Workforce Development and Training Account, a special account under the Employment Security Administration Fund within a given fiscal year as long as the Unemployment Insurance Trust Fund maintains a balance of \$1.4 billion or more. The account was created from a deduction in the unemployment insurance tax and is designated as a Statutory Dedication.

Purpose: Its main purpose is to provide upgrade training to incumbent workers who are currently in entry-level positions. The idea is that as a result of the training, workers will be promoted thus opening up more entry-level positions. The use of public training institutions (technical and community colleges) is also encouraged. The program began accepting applications in November 1998.

Restrictions: An employer benefiting from the program must have been in the state for at least three years, must be contributing to the workforce development training account, and be in full compliance with Louisiana unemployment compensation insurance laws. No one company can receive a grant equaling greater than 5% of total funding available within a fiscal year and companies can receive only one grant within a 24-month period.

General Statistics: An analysis of revenue collections for the 2000 calendar year shows that as of September 2000 the balance was \$41,767,647. Approximately 70 applications have been approved totaling \$14,543,696 while the expenditures at the end of the same month equal \$2,937,355. The estimated duration of each project is 23 months.

**Department Of Economic Development – Workforce Development and Training Fund**

History: Created by Act 483 in 1995, and received funding beginning in FY 96-97.

Funding: The \$6.5 million program is a statutory dedication, which receives monies generated by a reduction in vendors compensation deductions.

Purpose: The program provides customized training funds to businesses that either want to locate in Louisiana or want to expand or modernize existing facilities. This program is often marketed as part of an incentive package to attract industries to locate in Louisiana.

Restrictions: The current cap per award is \$500,000. Employers benefiting from the program must be in full compliance with Louisiana unemployment compensation insurance laws, and the award should be reasonably expected to be a factor in the company's locations, investment and/or expansion decisions. While the law and rules do allow for incumbent worker training, the Department focuses on those who are expanding or locating and who have been in the state for less than three years in order to avoid duplication of services with the Department of Labor.

Based on the characteristics of each program, a merge would require several statutory changes depending on the structure of the merge. For example, the source of funding for the Workforce Development and Training Fund in DED could be changed or it could be eliminated if a portion of the Incumbent Worker Training (IWT) fund were designated for the purposes of the DED program. In this case, provisions would have to be made for the vendor's compensation monies to go to other purposes. In addition, designating a portion of the IWT fund for other purposes would require a change in the statutory provision, which restricts the Department of Labor's IWT program to businesses that have been in the state for three or more years.

**Estimated Fiscal Impact:** Merging administrative functions could result in some cost savings. The state could save \$6.5 million in state general fund every year if the IWT fund purposes were expanded to include the goals of the DED Workforce Training program. This would free up State General Fund for other purposes such as other economic development activities.

**Action Required to Implement:** Statutory changes and interagency transfer agreements.